National Cotton Council OF AMERICA

Cotton Economic Review

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2018 Cotton Acreage

In its June acreage report, USDA estimated 2018-19 U.S. cotton plantings at 13.52 million acres, up 7.2% from 2017 (Exhibit 1). Upland planted area is estimated to have increased 7.4% to 13.28 million acres. ELS cotton producers planted 243,000 acres, down 3.8%. USDA's June projection is up 49,000 acres from their initial 2018 estimate released in March.

Exhibit 1

2018 U.S. Cotton Area

	2017 Actual (Thou.) 1/	2018 Estimated (Thou.) 1/	Percent Change
SOUTHEAST	**2,523**	**2,840**	**12.6%**
Alabama	435	490	12.6%
Florida	99	115	16.2%
Georgia	1,280	1,450	13.3%
N. Carolina	375	440	17.3%
S. Carolina	250	260	4.0%
Virginia	84	85	1.2%
MID-SOUTH	**1,945**	**1,915**	**-1.5%**
Arkansas	445	480	7.9%
Louisiana	220	180	-18.2%
Mississippi	630	560	-11.1%
Missouri	305	345	13.1%
Tennessee	345	350	1.4%
SOUTHWEST	**7,578**	**8,240**	**8.7%**
Kansas	93	120	29.0%
Oklahoma	585	720	23.1%
Texas	6,900	7,400	7.2%
WEST	**314**	**280**	**-10.8%**
Arizona	160	150	-6.3%
California	88	50	-43.2%
New Mexico	66	80	21.2%
TOTAL UPLAND	**12,360**	**13,275**	**7.4%**
TOTAL ELS	**253**	**243**	**-3.8%**
Arizona	15	14	-6.7%
California	216	210	-2.8%
New Mexico	8	7	-6.7%
Texas	14	12	-14.3%
ALL COTTON	**12,613**	**13,518**	**7.2%**

1/ USDA-NASS

On a regional basis, upland area in the **Southeast** is up 12.6% to 2.84 million acres. The largest gains in planted acres are projected for **North Carolina** (17.3%) followed closely by **Florida** (16.2%). **Georgia** and **Alabama** are expected to see gains in plantings of 13.3% and 12.6%, respectively. Smaller gains are expected for **South Carolina** (4.0%) and **Virginia** (1.2%).

Planted acres are expected to fall slightly throughout the **Mid-South**, down 1.5% to an estimated 1.92 million acres. **Louisiana** and **Mississippi** are expected to see the sharpest declines with estimates of 180,000 acres and 560,000 acres, down 18.2% and 11.1%, respectively. The remaining states are expected to see an increase in planted acres for the upcoming crop year. With an estimated 345,000 planted acres, **Missouri** is expected to see the largest gains in planted acres, up 13.1%. Planted acres are up 35,000 acres in **Arkansas** to an estimated 480,000 acres while acres in **Tennessee** are up 1.4% to 350,000.

In the **Southwest**, estimated planted area is up 8.7% to an estimated 8.24 million acres. All states in the region are expected to see an increase in planted acres with the greatest gains estimated for **Kansas** (29.0%). Cotton area for **Texas** is estimated at 7.40 million acres, up 7.2% from the 2017 crop year. Producers in **Oklahoma** are expected to plant 720,000 acres, a 23.1% increase when compared to the previous year.

Estimated upland area in the **West** is down 10.8% to 280,000 acres. Gains in planted acres are expected only for **New Mexico** (21.2%) with planted acres estimated to be 80,000 for 2018. Producers in **California** are expected to plant 50,000 acres, down 43.2%. **Arizona** is down 10,000 to an estimated 150,000.

USDA estimates ELS plantings of 243,000 acres, down 3.8% from 2017. All states are expected to plant fewer acres of ELS in 2018. The decline in acres range from 2.8% in **California** to 14.3% in **Texas**.

Crop Progress

According to USDA, 59% of the U.S. crop had squared as of July 8th, equal to last year's pace and ahead of the 5-year average (55%) (Exhibit 2). Crop development was most advanced in the **Mid-South** region. **Louisiana** leads all states with 95% of their crop having squared as of July 8th. In the **Southeast, Georgia**, and **North Carolina** lead the region with 70% of crop having reached the squaring stage. In the **Southwest**, **Kansas** leads all states in the region with 55% of their crop having reached the squaring stage as of July 8th. In the **West**, 85% of the **Arizona** crop had reached the squaring stage while the **California** crop was behind that pace with 55% of their crop having reached the squaring stage.

Nationwide, 21% of the crop had set bolls as of July 8th, 3 percentage points ahead of last year's pace and 6 percentage points ahead of the 5-year average. In the **Mid-South,** all states are ahead of last year's pace and their 5-year averages in terms of having set bolls. In the **Southeast**, **Alabama**, **North Carolina**, and **Virginia** are ahead of last year and their 5-year average in terms of having set bolls. **Texas** leads all states in the **Southwest** region with 18% of their crop having set bolls as of July 8th. **California** is equal to last year's pace but behind their 5-year average with 5% of their crop having set bolls at the time of this report while **Arizona** is behind last year's pace (39%) and their 5-year average (36%) with 32% of their crop having set bolls as of July 8th.

Exhibit 2

Weekly Cotton Crop Progress

STATE	7/8/2018	7/1/2018	7/8/2017	Avg.*
		(% Squaring)		
Alabama	65	45	64	74
Arizona	85	70	81	81
Arkansas	92	83	96	97
California	55	45	49	80
Georgia	70	58	67	69
Kansas	55	38	17	21
Louisiana	95	89	92	87
Mississippi	73	60	64	73
Missouri	71	68	66	57
North Carolina	70	58	67	68
Oklahoma	40	25	44	31
South Carolina	49	35	55	53
Tennessee	80	72	73	61
Texas	51	31	52	44
Virginia	66	58	67	62
U.S. Average	59	42	59	55

Source: USDA-NASS.
* 5-year Average

STATE	7/8/2018	7/1/2018	7/8/2017	Avg.*
		(% Setting Bolls)		
Alabama	28	11	19	18
Arizona	32	22	39	36
Arkansas	60	35	47	31
California	5	2	5	21
Georgia	21	8	18	22
Kansas	0	0	0	1
Louisiana	68	36	51	37
Mississippi	30	10	20	20
Missouri	33	5	8	4
North Carolina	11	2	6	9
Oklahoma	10	4	0	7
South Carolina	5	0	15	14
Tennessee	20	8	11	8
Texas	18	13	18	12
Virginia	5	0	4	2
U.S. Average	21	12	18	15

Source: USDA-NASS.
* 5-year Average

Crop condition is behind where it was at this time last year with 73% of the crop rated fair or better compared to 88% of last year's crop (Exhibit 3). **South Carolina** leads the way in terms of crop condition in the **Southeast** with 98% of their crop rated fair or better. In the **Mid-South**, **Tennessee** leads the region with 99% of their crop rated fair or better as of July 8th. In the **Southwest**, 96% of the **Kansas** crop is rated fair or better while 75% of the **Oklahoma** crop is rated fair or better. The **Texas** crop is behind in terms of crop condition with 58% of their crop rated fair or better on July 8th. In the **West**, **California** has 100% of their crop rated fair or better as of July 8th while **Arizona** has 98% of their crop rated fair or better.

Exhibit 3

Crop Condition

(As of July 8)

STATE	V. Poor	Poor	Fair	Good	Excel.
		(Percent)			
Alabama	1	7	21	53	18
Arizona	0	2	54	38	6
Arkansas	0	2	10	44	44
California	0	0	15	75	10
Georgia	1	6	24	60	9
Kansas	1	3	34	59	3
Louisiana	0	7	50	40	3
Mississippi	0	3	30	48	19
Missouri	0	5	32	56	7
North Carolina	8	13	22	53	4
Oklahoma	9	16	37	34	4
South Carolina	0	2	10	75	13
Tennessee	0	1	9	68	22
Texas	13	29	37	19	2
Virginia	1	2	18	77	2
U.S. Average	8	19	32	34	7
Previous Year	4	8	27	47	14

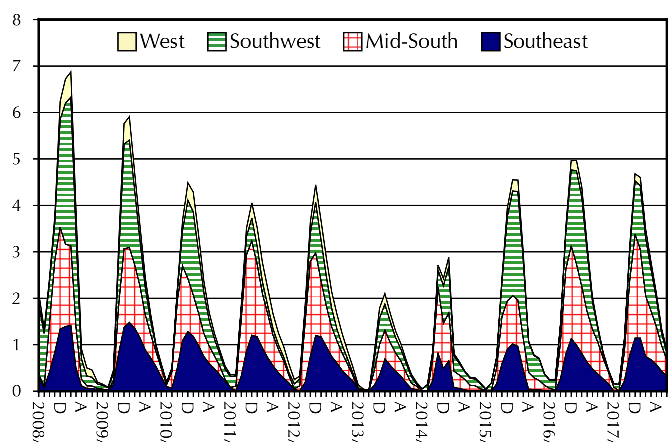
Source: USDA-NASS

CCC Loan

Outstanding CCC loan stocks of upland cotton as of June 30 were 876,391 running bales, a decline of 468,540 bales from the previous month (Exhibit 4). Redemptions were largest in the **Mid-South** with outstanding loan stocks declining by 200,482 bales to 354,547 or 40% of the outstanding total. Loan redemptions in the **Southeast** were 119,562 bales, leaving outstanding loans at 314,602 bales, 36% of the total. In the **Southwest**, redemptions were 125,756 bales. Outstanding loans in the region now total 140,063 bales, accounting for 16% of the outstanding loans remaining. Stocks in the **West** decreased by 22,740 bales, placing outstanding loans at 67,179 bales. The region accounts for 8% of the outstanding loan total. Of the outstanding loan stocks, Form A (producer) accounted for 3% while Form G (cooperative) accounted for the remaining 97%.

Exhibit 4

CCC Loan



Forward Contracting

USDA estimates that, as of July 1, 8% of U.S. upland cotton acreage had been forward contracted (Exhibit 5), equal to last year's level. In the **Southeast**, USDA estimates that 17% of the acreage is forward contracted. All states in the region, with the exception of **South Carolina**, show an increase in bookings as compared to the previous year. The largest increase was in **Virginia. Virginia** had contracted 30% of its crop as of July 1.

Exhibit 5

Forward Contracting of Upland Cotton

As of July 1

(Percent)

STATE	2015	2016	2017	2018
SOUTHEAST	4	3	13	17
Alabama	6	3	6	8
Florida	7	5	4	6
Georgia	2	3	17	24
North Carolina	6	3	7	11
South Carolina	4	2	7	4
Virginia	9	6	18	30
MID-SOUTH	2	7	10	16
Arkansas	4	8	11	35
Louisiana	2	31	35	16
Mississippi	1	3	7	12
Missouri	*	1	4	5
Tennessee	3	3	7	9
SOUTHWEST	1	*	6	3
Oklahoma 1/	1	-	1	1
Texas	1	*	7	3
WEST	1	1	4	4
Arizona	2	2	7	8
California	-	-	-	-
New Mexico	-	-	-	-
TOTAL UPLAND	1	2	8	8

Source: USDA-AMS
1/ Includes Kansas.
* Less than .5 percent.

Contracting in the **Mid-South** is estimated at 16%, up from 10% the previous year. All states in the region, with the exception of **Louisiana**, show an increase in bookings as compared to the previous year.

As of July 1, the **Southwest** had 3% of their 2018 crop contracted, lower than the previous year. The largest decrease was in **Texas**, which had 3% of their crop contracted as of July 1, compared to 7% at the same time last year. As of July 1, the **West** had 4% of their 2018 crop contracted.

Farm Price

The May 2018 upland cotton farm price was 68.80 cents/lb. according to USDA, up 2.10 cents from April (Exhibit 6). In comparison, the May 2017 upland cotton farm price was 69.90 cents/lb. Marketings for the month were 790,000 running bales, bringing the crop year 2017 total to 15.0 million. The marketing-weighted crop year average farm price through May 2018 is 67.76 cents/lb.

Exhibit 6

Farm Prices for Upland Cotton

Marketing Year 2017 - 18

(Weighted by Marketings)

	Marketings (Thousand Running Bales)		Prices (Cents/Lb)	
	MONTHLY	CUMULATIVE	MONTHLY	WEIGHTED
August	265	265	64.7	64.70
September	421	686	63.8	64.15
October	993	1,679	66.8	65.72
November	2,409	4,088	67.1	66.53
December	3,653	7,741	68.4	67.41
January	3,053	10,794	68.7	67.78
February	1,587	12,381	67.7	67.77
March	1,092	13,473	67.7	67.76
April	769	14,242	66.7	67.70
May	790	15,032	68.8	67.76

Source: USDA-NASS.

Marketing-Year Average Farm Price (Cents/Lb)

2017-18 Proj.	67.00 - 69.00
2018-19 Proj.	60.00 - 80.00

Source: USDA-WAOB July Report.

This month's *World Agricultural Supply and Demand Estimates* (WASDE) report forecasted the average price received by farmers for U.S. upland cotton for 2017/18 at 68.00 cents/lb. The forecast for 2018/19 was a range of 68.00 – 82.00 cents/lb.

The February 2018 price received for cottonseed was $156/ton (7.8 cents/lb.) according to USDA, an increase of $17/ton (0.9 cents/lb.) from January (Exhibit 7). In comparison, the February 2017 cottonseed price was $203/ton (10.2 cents/lb.).

Exhibit 7

Prices Received for Cottonseed

Marketing Year 2017 - 18

	Prices	
	($/Ton) MONTHLY	(Cents/Lb) MONTHLY
August	127	6.4
September	124	6.2
October	138	6.9
November	144	7.2
December	143	7.2
January	139	7.0
February	156	7.8

Source: USDA-NASS.

Marketing-Year Average Farm Price

	($/Ton)	(Cents/Lb)
2017-18 Proj.	139	7.0
2018-19 Proj.	140 - 180	7.0 - 9.0

Source: USDA-ERS June 2018 Oilseeds Outlook.

The June 2018 USDA/ERS *Oil Crops Outlook* report forecasted the average price received for cottonseed for 2017/18 in a range of $140 – $180/ton (7.0 – 9.0 cents/lb.).

Competitiveness

World and U.S. cotton prices increased slightly over the past several weeks. Since the week ending June 28, the average of the 5 lowest Far East quotes increased 0.51 cents/lb. to 93.22 cents for the week ending July 12 (Exhibit 8). The low U.S. quote for the Far East (USFE) increased 0.35 cents/lb. over the same period taking a value of 94.35 cents for the week ending July 12. For the week ending July 19, the AWP will be valued at 76.17 cents/lb. for a corresponding marketing loan gain of 0.00 cents/lb.

Exhibit 8

Competitiveness

	Week Ending			
	7/19/18	7/12/18	7/5/18	6/28/18
	(Cents/Lb.)			
U.S. FE Low Quote	--	94.35	92.80	94.00
5 Lowest FE Quotes	--	93.22	91.64	92.71
Adjusted World Price	76.17	74.59	75.66	78.23
Marketing Loan Gain	0.00	0.00	0.00	0.00
Fine Count Adj. ('17 Crop)	0.62	0.64	0.68	1.03
Fine Count Adj. ('18 Crop)	0.67	0.69	0.73	1.08
ELS Comp Pymnt	0.00	0.00	0.00	0.00
	(Bales)			
Import Quotas Open	794,933	792,622	791,707	790,791

For qualities better than 31-3-35, the Fine Count Adjustment can further reduce the AWP to reflect differences between premiums in the U.S. market and international markets. For the week ending July 19, the Fine Count Adjustment is 0.62 cents/lb. for the 2017 crop and 0.67 cents/lb. for the 2018 crop.

ELS competitiveness payments are provided whenever, for 4 consecutive weeks, the lowest Friday through Thursday average adjusted price quotation for foreign growths (LFQ) is less than the Friday through Thursday average price quotation for U.S. Pima cotton, CFR Far East (USPFE); and the adjusted LFQ is less than 134 percent of the current crop year loan level for ELS cotton grade 2, staple 46, micronaire 3.5 or higher, strength 37.5 grams per tex and above (80.85 cents per pound). For the week ending July 19, the ELS competitiveness payment is 0.00 cents/lb.

When the Friday through Thursday weekly average U.S. Far East price exceeds the prevailing world market price for any 4 consecutive weeks, a special import quota is triggered. Each quota is equal to one week of cotton mill use by domestic mills based on the seasonally adjusted data for the most recent 3 months' for which data are available. To enter under the quota, cotton must be purchased not later than 90 days, and entered into the U.S. not later than 180 days, from the date the quota is announced. For the week ending July 19, there are 13 quotas opened in the total amount of 794,933 bales (480-lbs.).

Exports

Through the week ending July 5, total U.S. raw cotton exports for the 2017-18 marketing year were 14.8 million bales (Exhibit 9). With slightly less than one month remaining in the marketing year, weekly shipments must average roughly 405,200 bales to reach the USDA projection of 16.2 million bales. Total sales through July 5 were 17.5 million, roughly 1.8 million bales higher than the previous year. New crop (2018-19) commitments through July 5 were 6.2 million bales, approximately 1.3 bales higher than the previous year.

Exhibit 9

Export Summary

Through Week Ending July 5, 2018

(Thousand 480-lb. Bales)

	MY17	MY16
Outstanding Sales	2,674	1,849
Shipments	14,782	13,811
Total Sales	17,456	15,660
New Crop Sales	6,182	4,863

Source: USDA-FAS.

U.S. Supply & Offtake

In its July report, USDA projects U.S. 2018-19 production to be 18.50 million bales, 1.0 million bales lower than the previous month due higher expected abandonment based on current conditions (Exhibit 10). Mill use is projected at 3.40 million bales, unchanged from last month, while exports are projected at 15.00 million bales, 500,000 bales lower than last month. The estimated total offtake stands at 18.40 million bales. With beginning stocks of 4.00 million bales, this would result in U.S. ending stocks of 4.00 million bales on July 31, 2019, and a stocks-to-use ratio of 21.7%.

Exhibit 10

U.S. Cotton Supply/Offtake

(Thousand 480-Lb. Bales)

	2017-18e	2018-19p
Beginning Stocks	2,750	4,000
Production	20,920	18,500
Imports	10	10
Supply	23,680	22,510
Domestic Mill Use	3,350	3,400
Exports	16,200	15,000
Offtake	19,550	18,400
Unaccounted For	130	110
Ending Stocks	4,000	4,000
Stocks-to-Use Ratio	20.5%	21.7%

Source: USDA-WAOB July Report.

For the 2017-18 marketing year, USDA gauges U.S. cotton production at 20.92 million bales, unchanged from the previous month. Mill use was unchanged from the previous month at 3.35 million bales. Exports were increased 200,000 bales from the previous month to 16.20 million. The estimated total offtake now stands at 19.55 million bales, generating ending stocks of 4.00 million bales and a stocks-to-use ratio of 20.5%.

World Supply & Offtake

In USDA's July report, USDA projects world production for the 2018-19 marketing year at 120.11 million bales, 290,000 bales lower than the previous month (Exhibit 11). Mill use is estimated at 126.95 million bales, 1.60 million bales higher than the previous month. With beginning stocks at 84.96 million bales, this would result in world stocks of 77.84 million bales on July 31, 2019, and a stocks-to-use ratio of 61.3%.

For the 2017-18 marketing year, world production was estimated to be 123.69 million bales, up 930,000 bales from the June report. World mill use was raised 1.46 million bales to 122.23 million bales. Consequently, world ending stocks are estimated to be 84.96 million bales with a stocks-to-use ratio of 69.5%.

Exhibit 11

World Cotton Supply/Offtake

(Thousand 480-Pound Bales)

	2017-18e	2018-19p
Beginning Stocks	84,340	84,960
Production	123,690	120,110
Imports	40,150	41,230
Supply	248,180	246,300
Mill Use	122,230	126,950
Exports	40,690	41,240
Offtake	162,920	168,190
Unaccounted For	300	270
Ending Stocks	84,960	77,840
Stocks-to-Use Ratio	69.5%	61.3%

Source: USDA-WAOB July Report.

2017-18 World Cotton Supply & Offtake

(Million 480-Lb. Bales)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	84.3	123.7	40.2	248.2	122.2	40.7	85.0	69.5%
U.S.	2.8	20.9	0.0	23.7	3.4	16.2	4.0	20.5%
China	45.9	27.5	5.4	78.8	41.0	0.1	37.7	91.6%
Pakistan	2.3	8.2	3.2	13.7	10.6	0.2	2.9	26.8%
India	11.1	29.0	1.7	41.8	24.2	5.0	12.6	43.3%
Central Asia	2.4	6.6	0.0	9.0	3.4	2.8	2.8	45.8%
Australia	2.2	4.9	0.0	7.1	0.0	4.0	3.1	75.7%
Brazil	6.9	9.2	0.1	16.2	3.4	4.2	8.6	114.3%
Indonesia	0.6	0.0	3.4	4.0	3.4	0.0	0.6	18.2%
Mexico	0.5	1.6	1.0	3.0	1.9	0.3	0.8	33.6%
Turkey	1.6	4.0	4.1	9.7	7.3	0.4	2.0	26.5%
Vietnam	0.9	0.0	6.9	7.8	6.6	0.0	1.2	18.0%

2018-19 World Cotton Supply & Offtake

(Million 480-Lb. Bales)

	Beg Stocks	Production	Imports	Supply	Mill Use	Exports	End Stocks	Stocks/Use
World	85.0	120.1	41.2	246.3	127.0	41.2	77.8	61.3%
U.S.	4.0	18.5	0.0	22.5	3.4	15.0	4.0	21.7%
China	37.7	26.5	7.0	71.2	42.5	0.2	28.5	66.9%
Pakistan	2.9	8.5	2.3	13.7	10.7	0.2	2.8	25.3%
India	12.6	28.7	1.5	42.8	25.2	4.3	13.3	45.2%
Central Asia	2.8	6.5	0.0	9.3	3.7	2.6	3.0	47.8%
Australia	3.1	3.7	0.0	6.8	0.0	4.4	2.3	52.3%
Brazil	8.6	9.5	0.1	18.2	3.6	5.4	9.2	102.2%
Indonesia	0.6	0.0	3.5	4.1	3.5	0.0	0.6	17.7%
Mexico	0.8	1.8	0.9	3.4	1.9	0.6	1.0	38.8%
Turkey	2.0	4.3	3.6	9.9	7.4	0.4	2.2	28.1%
Vietnam	1.2	0.0	7.7	8.9	7.5	0.0	1.4	18.5%

Source: USDA-WAOB July Report.

This publication includes the latest information as of July 12, 2018. Data released later are available from the NCC home page at www.cotton.org. This publication is also available on the NCC home page in the Members Only section. Unless otherwise noted, all bale references pertain to statistical (480-lb.) bales.